

Town of Livingston, Louisiana

Annual Financial Report

As of and for the Year Ended December 31, 2002

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Release Date 8/6/03

Town of Livingston, Louisiana
Annual Financial Report
As of and for the Year Ended December 31, 2002
With Supplemental Information Schedules

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Town of Livingston, Louisiana
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With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor Derral Jones
and Members of the Board of Aldermen
Town of Livingston, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Livingston, Louisiana, as of and for the year ended December 31, 2002, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Livingston, Louisiana's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Livingston, Louisiana as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 20, 2003 on our consideration of the Town of Livingston, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

The Honorable Mayor, Derral Jones
and Members of the Board of Aldermen
Town of Livingston, Louisiana

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The management's discussion and analysis, budgetary comparison information, and other supplemental schedules on pages 7 through 15, 50 through 53, and 55 through 74 of this report are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Livingston, Louisiana's basic financial statements. The supplemental information schedules listed in the table of contents as Schedules 1 through 15 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

June 20, 2003

Required Supplemental Information (Part I)

Management's Discussion and Analysis

Town of Livingston, Louisiana
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2002

Introduction

The Town of Livingston, Louisiana (the Town) is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards. Although the Town was not required to implement GASB 34 until the fiscal year ending December 31, 2003, management elected early implementation in the fiscal year ending December 31, 2001 to provide financial statement users a more detailed and comprehensive analysis of the Town's financial performance. This is the second year of presentation under the new GASB 34 format.

The Town's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position, (d) identify any significant variations from the Town's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Town's financial statements on pages 17 through 48 of this report.

Financial Highlights

- At December 31, 2002, the Town's assets exceeded its liabilities by \$5,277,538 (net assets). Of this amount, \$733,773 (unrestricted net assets) may be used to meet the Town's ongoing obligations to its citizens.
- For the year ended December 31, 2002, the Town's total net assets increased by \$108,408.
- At December 31, 2002, the Town's governmental funds reported combined ending fund balances of \$380,617, a decrease of \$37,829 for the year. Of this amount, 100% is available for spending at the Town's discretion (unreserved fund balances).
- At December 31, 2002, the Town's proprietary funds reported combined ending net assets of \$3,544,584, an increase of \$146,333 for the year. Of this amount, approximately 10%, or \$353,156, is available for spending at the Town's discretion (unrestricted net assets).
- For the year ended December 31, 2002, the Town's total debt decreased by \$82,731, or approximately 12%, due primarily to capital lease and revenue bond principal payments.

Overview of the Annual Financial Report

The financial statement focus is on both the Town as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the Town's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The MD&A is intended to serve as an introduction to the Town's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Town of Livingston, Louisiana

Management's Discussion and Analysis As of and for the Year Ended December 31, 2002

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. Governmental and business-type activities are presented in separate columns along with a total column for the primary government. Component unit information is presented separately in the notes to the financial statements.

The Statement of Net Assets presents information on the Town's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net assets. Over time, the increases or decreases in net assets and changes in the components of net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the Town's general tax and other revenues. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

In both of the government-wide financial statements, the Town's activities are divided into two types:

- **Governmental activities** - Most of the Town's basic services are reported here, including general government, public safety, highways and streets, sanitation, health and welfare, and parks and recreation. These activities are financed primarily by property taxes, franchise taxes, and sales taxes, and fines.
- **Business-type activities** - The Town charges a fee to customers to help it cover all of the cost of the services provided. The Town's water, natural gas, and sewer utility systems are reported in this section.

The government-wide financial statements include the Town of Livingston, Louisiana (primary government) only and can be found on pages 17 through 19 of this report. Component unit information is reported separately in Note 20 to the financial statements which can be found on pages 46 and 47 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The Town uses two categories of funds to account for financial transactions: governmental funds and proprietary funds. In addition, fiduciary funds are used to account for component unit activities reported separately in notes to the financial statements. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Town of Livingston, Louisiana

Management's Discussion and Analysis As of and for the Year Ended December 31, 2002

Governmental funds are used to account for most of the Town's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. *The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides.* Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

Proprietary funds account for water, natural gas, and sewer utility services provided by the Town to its customers. Proprietary funds statements provide the same type of information as the government-wide financial statements, but the fund presentation provides more detail. The basic proprietary fund financial statements can be found on pages 24 through 29 of this report.

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds. Livingston Intergovernmental Commission, a component unit of the Town, has one fiduciary fund type, expendable trust funds. As mentioned earlier, component unit activities can be found in the notes to the financial statements on pages 46 and 47 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the Town's more immediate decisions on the current use of financial resources. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations can be found on pages 21 and 23 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 48 of this report.

Town of Livingston, Louisiana

Management's Discussion and Analysis As of and for the Year Ended December 31, 2002

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net assets for the current year as compared to the prior year. For more detailed information, see the Statement of Net Assets on page 17 of this report.

Net Assets December 31, 2002 and 2001

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
Assets:						
Current and Other Assets	\$ 413,928	\$ 419,499	\$ 699,676	\$ 695,641	\$ 1,113,604	\$ 1,115,140
Capital Assets	1,389,014	1,413,231	3,572,147	3,436,939	4,961,161	4,850,170
Total Assets	<u>1,802,942</u>	<u>1,832,730</u>	<u>4,271,823</u>	<u>4,132,580</u>	<u>6,074,765</u>	<u>5,965,310</u>
Liabilities:						
Long-Term Debt Outstanding	10,017	36,677	481,584	544,711	491,601	581,388
Other Liabilities	59,971	52,671	245,655	189,618	305,626	242,289
Total Liabilities	<u>69,988</u>	<u>89,348</u>	<u>727,239</u>	<u>734,329</u>	<u>797,227</u>	<u>823,677</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	1,352,337	1,352,433	3,027,323	2,833,506	4,379,660	4,185,939
Restricted	-	-	164,105	163,624	164,105	163,624
Unrestricted	380,617	390,949	353,156	401,121	733,773	792,070
Total Net Assets	<u>\$ 1,732,954</u>	<u>\$ 1,743,382</u>	<u>\$ 3,544,584</u>	<u>\$ 3,398,251</u>	<u>\$ 5,277,538</u>	<u>\$ 5,141,633</u>

Approximately 83% of the Town's net assets reflects its investment in capital assets (land, buildings, equipment, infrastructure, and improvements) net of any outstanding related debt used to acquire those capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Approximately 3% of the Town's net assets represents resources that are subject to external restriction on how they may be used. The Town's restricted net assets consist of cash reserves required by revenue bond agreements and cash for customer deposits net of corresponding liabilities.

Approximately 14% of the Town's net assets are unrestricted and may be used to meet the Town's ongoing obligations to its citizens.

At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net assets, both for the Town as a whole, as well as for separate governmental and business-type activities. The same held true for the prior fiscal year.

The Town's activities increased its total net assets by \$108,408, with governmental activities decreasing net assets by \$37,925 and business-type activities increasing net assets by \$146,333.

Town of Livingston, Louisiana

Management's Discussion and Analysis As of and for the Year Ended December 31, 2002

In order to further understand what makes up the changes in net assets, the following table provides a summary of the results of the Town's activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table. For more detailed information, see the Statement of Activities on pages 18 and 19 of this report.

Changes in Net Assets For the Years Ended December 31, 2002 and 2001

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
Revenues:						
Program Revenues:						
Charges for Services	\$ 381,982	\$ 279,016	\$ 839,420	\$ 824,797	\$ 1,221,402	\$ 1,103,813
Operating Grants and Contributions	90,836	56,577	-	-	90,836	56,577
Capital Grants and Contributions	3,300	313,160	1,606	197,691	4,906	510,851
General Revenues:						
Property Taxes	26,094	25,641	-	-	26,094	25,641
Franchise Taxes	72,197	76,643	-	-	72,197	76,643
Sales Taxes	201,475	199,355	-	-	201,475	199,355
Interest Income	7,078	17,088	13,320	25,410	20,398	42,498
Other Revenues	22,796	11,293	-	-	22,796	11,293
Total Revenues	<u>805,758</u>	<u>978,773</u>	<u>854,346</u>	<u>1,047,898</u>	<u>1,660,104</u>	<u>2,026,671</u>
Expenses:						
General and Administrative	241,384	227,596	-	-	241,384	227,596
Police Protection	226,190	195,560	-	-	226,190	195,560
Fire Protection	61,587	50,415	-	-	61,587	50,415
Public Works	134,800	131,220	-	-	134,800	131,220
Sanitation	51,961	43,473	-	-	51,961	43,473
Health and Welfare	3,938	3,027	-	-	3,938	3,027
Culture and Recreation	220,353	85,307	-	-	220,353	85,307
Interest on Long-Term Debt	3,470	5,130	-	-	3,470	5,130
Water, Gas, and Sewer Utility	-	-	608,013	653,976	608,013	653,976
Total Expenses	<u>943,683</u>	<u>741,728</u>	<u>608,013</u>	<u>653,976</u>	<u>1,551,696</u>	<u>1,395,704</u>
Change in Net Assets						
Before Transfers and Prior Period Adjustments	-137,925	237,045	246,333	393,922	108,408	630,967
Transfers	100,000	-	-100,000	-	-	-
Prior Period Adjustments	27,497	-11,395	-	-3,109	27,497	-14,504
Change in Net Assets	<u>-10,428</u>	<u>225,650</u>	<u>146,333</u>	<u>390,813</u>	<u>135,905</u>	<u>616,463</u>
Net Assets, Beginning	<u>1,743,382</u>	<u>1,517,732</u>	<u>3,398,251</u>	<u>3,007,438</u>	<u>5,141,633</u>	<u>4,525,170</u>
Net Assets, Ending	<u>\$ 1,732,954</u>	<u>\$ 1,743,382</u>	<u>\$ 3,544,584</u>	<u>\$ 3,398,251</u>	<u>\$ 5,277,538</u>	<u>\$ 5,141,633</u>

Governmental Activities

The Town's governmental net assets decreased by \$37,925, or 2% of the prior year ending net assets, to \$1,732,954. The overall decrease in net assets is partially offset by a \$100,000 transfer of funds from the Town's business-type activities. The change in net assets is \$374,970 less than the prior year, this difference being caused by a \$173,015 decrease in revenues and a \$201,955 increase in expenses, respectively, over prior year amounts.

Town of Livingston, Louisiana

Management's Discussion and Analysis As of and for the Year Ended December 31, 2002

The decrease in revenues noted above is primarily comprised of increased charges for services, increased operating grants and contributions, and decreased capital grants and contributions. The increase in charges for services of \$102,966 is largely attributable to recent recreational park improvements which allowed the Town to host numerous additional sports events and collect larger volume of entry and gate fees. The increase in operating grants and contributions of \$34,259 is due mostly to the Town's receipt of grant funds for the hiring of new police officers. The decrease in capital grants and contributions of \$309,860 is due mainly to the Town's substantial completion in the prior year of a fire protection project and a sidewalk project, both of which were funded by nonrecurring grants.

The increase in expenses noted above is primarily comprised of increased police protection expense and increased culture and recreation expense. The increase in police protection expense of \$30,630 is due mostly to the Town's hiring of new police officers, resulting in higher salaries and other related expenses. The increase in culture and recreation expense of \$135,046 is due mainly to recent recreational park improvements which allowed the Town to host numerous additional sports events, resulting in higher tournament and other related expenses.

Business-Type Activities

The Town's business-type net assets increased by \$146,333, or 4% of the prior year ending net assets, to \$3,544,584. The overall increase in net assets is partially offset by a \$100,000 transfer of funds to the Town's governmental activities. The change in net assets is \$147,589 less than the prior year, this difference being caused by a \$193,552 decrease in revenues and a \$45,963 decrease in expenses, respectively, over prior year amounts.

The decrease in revenues noted above is primarily comprised of decreased capital grants and contributions. The decrease in capital grants and contributions of \$196,085 is largely attributable to a large nonrecurring capital contribution of \$197,691 received in the prior year, with no such large capital contributions being received in the current year.

The decrease in expenses noted above is primarily comprised of decreased cost of natural gas sold. The decrease in cost of natural gas sold of \$58,754 is reflective of a nationwide decrease in energy costs in the current year from the abnormally high energy costs of the prior year.

Fund Financial Analysis

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year. The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

Town of Livingston, Louisiana

Management's Discussion and Analysis As of and for the Year Ended December 31, 2002

At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$380,617, all of which are unreserved and available for spending at the Town's discretion. This represents a decrease of \$10,332, or 3% of the prior year's ending balances. This decrease is insignificant.

The general fund is the chief operating fund of the Town. At the end of the current year, the total fund balance for the general fund was \$380,617, all of which was unreserved. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 40% of total general fund expenditures, while total fund balance represents 40% of the same amount.

During the current year, the Town's general fund balance decreased by \$10,332. The reduction in general fund balance is insignificant.

The only other major fund, the capital projects fund, reported no change in fund balance as compared to the prior year, with beginning and ending fund balances of zero.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

The Town of Livingston demonstrated legal compliance by adopting and amending its budget in accordance with provisions of the Local Government Budget Act. As required by state law, actual revenues and other sources were within 5% of budgeted revenues and other sources, and actual expenditures did not exceed budgeted expenditures and other uses by 5%.

For the general fund, actual revenues and other sources exceeded final budgeted amounts by \$27,758. Actual expenditures and other uses exceeded final budgeted amounts by \$8,587. Actual excess expenditures and other uses were \$19,171 less than final budgeted amounts.

For the general fund, original budgeted revenues and other sources were \$782,400 and final budgeted revenues and other sources were \$874,700. Original budgeted expenditures and other uses were \$808,100 and final budgeted expenditures and other uses were \$931,700.

Significant variations from the general fund's original and final amended budgets were as follows:

- Budgeted parks and recreation revenues were increased by \$109,700 due to the large increase in the number of sports events hosted by the Town.
- Budgeted parks and recreation expenditures were increased by \$123,300 due to the large increase in the number of sports events hosted by the Town.

Town of Livingston, Louisiana

Management's Discussion and Analysis As of and for the Year Ended December 31, 2002

Capital Assets and Debt Administration

Capital Assets

The Town elected early implementation of GASB 34 in the fiscal year ending December 31, 2001. However, as a Phase III government (a government with annual revenues of less than \$10 million), the Town elected not to retroactively report infrastructure assets prior to implementation. Historically, a government's largest group of assets, infrastructure assets (roads, bridges, street lighting, etc.) have not been reported nor depreciated in governmental financial statements. Beginning with the fiscal year ended December 31, 2001, these assets are now valued and reported within the governmental activities column of the government-wide financial statements.

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2002 amounts to \$4,961,161 (net of depreciation). The total increase in the Town's investment in capital assets for the current fiscal year was \$110,991 (net of depreciation).

Major capital asset events during the current year included water utility system extensions, gas utility system extensions, purchase of a police cruiser, street overlay, drainage improvements, and ballfield improvements.

The following table provides a summary of the Town's capital assets (net of depreciation) at the end of the current year as compared to the prior year. For more detailed information, see Note 7 to the financial statements on pages 39 and 40 of this report.

**Capital Assets (Net of Depreciation)
December 31, 2002 and 2001**

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
Land	\$ 113,580	\$ 113,580	\$ -	\$ -	\$ 113,580	\$ 113,580
Buildings	274,547	286,856	7,102	5,542	281,649	292,398
Improvements	466,509	472,047	-	-	466,509	472,047
Vehicles and Equipment	323,737	338,219	57,104	64,165	380,841	402,384
Infrastructure	210,641	202,529	-	-	210,641	202,529
Water Utility System	-	-	1,583,789	1,403,244	1,583,789	1,403,244
Gas Utility System	-	-	265,600	250,480	265,600	250,480
Sewer Utility System	-	-	1,658,552	1,713,508	1,658,552	1,713,508
Capital Assets, Net	<u>\$ 1,389,014</u>	<u>\$ 1,413,231</u>	<u>\$ 3,572,147</u>	<u>\$ 3,436,939</u>	<u>\$ 4,961,161</u>	<u>\$ 4,850,170</u>

Long-Term Debt

At December 31, 2002, the Town had total debt outstanding of \$581,500. Of this total, \$89,899 is due within one year and \$491,601 is due within greater than one year. The following table provides a summary of the Town's outstanding debt at the end of the current year as compared to the prior year. For more detailed information, see Note 10 to the financial statements on pages 41 and 42 of this report.

Town of Livingston, Louisiana

Management's Discussion and Analysis As of and for the Year Ended December 31, 2002

Outstanding Debt December 31, 2002 and 2001

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
Capital Leases	\$ 36,677	\$ 60,798	\$ 29,693	\$ 45,742	\$ 66,370	\$ 106,540
Revenue Bonds	-	-	515,130	557,691	515,130	557,691
Total Outstanding Debt	<u>\$ 36,677</u>	<u>\$ 60,798</u>	<u>\$ 544,823</u>	<u>\$ 603,433</u>	<u>\$ 581,500</u>	<u>\$ 664,231</u>

Other Factors Affecting the Town

The Town of Livingston's management approach is conservative. When possible, the Mayor and Aldermen attempt to provide services for the Town based on existing revenues and to finance long-term projects only when absolutely necessary. The Town also attempts to keep utility rates at the minimum required to cover the costs of utility system operation. However, gas system rates are largely dependent on the amounts charged the Town for the cost of gas sold. In addition, the Town was required to respond to the need for sewer system improvements as mandated for municipalities by the United States Environmental Protection Agency and the Louisiana Department of Environmental Quality. The Town approved an increase in sewer rates of \$7.50 in year 2000, to be phased in at \$1.50 per year from the years 2000 through 2004 to fund these improvements.

Contacting the Town's Financial Management

This financial report is designed to provide the Town's citizens, taxpayers, creditors and investors with a general overview of the Town's finances and show the Town's accountability for the money it receives. Questions regarding this report or requests for additional information should be addressed to the Town of Livingston, 20550 Circle Drive, Livingston, Louisiana 70754, telephone (225) 686-7773.

Basic Financial Statements

Town of Livingston

Statement A

**Statement of Net Assets
December 31, 2002**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 275,105	\$ 308,746	\$ 583,851
Taxes Receivable	67,817	-	67,817
Accounts Receivable, Net	-	137,781	137,781
Accrued Interest	-	1,022	1,022
Prepaid Expenses	16,608	4,706	21,314
Royalties Receivable	681	-	681
Due From Other Funds	45,096	-	45,096
Due From Other Governments	8,621	-	8,621
Restricted Cash and Cash Equivalents	-	247,421	247,421
Capital Assets, Net	1,389,014	3,572,147	4,961,161
Total Assets	<u>1,802,942</u>	<u>4,271,823</u>	<u>6,074,765</u>
Liabilities			
Accounts Payable	11,476	47,937	59,413
Other Accrued Expenses	21,792	6,067	27,859
Protested Taxes	43	-	43
Due To Other Funds	-	45,096	45,096
Customer Deposits	-	83,316	83,316
Current Portion of Long-Term Debt:			
Revenue Bonds Payable	-	44,850	44,850
Capital Leases Payable	26,660	18,389	45,049
Long-Term Debt:			
Revenue Bonds Payable	-	470,280	470,280
Capital Leases Payable	10,017	11,304	21,321
Total Liabilities	<u>69,988</u>	<u>727,239</u>	<u>797,227</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,352,337	3,027,323	4,379,660
Restricted for Debt Service	-	164,105	164,105
Unrestricted	380,617	353,156	733,773
Total Net Assets	<u>\$ 1,732,954</u>	<u>\$ 3,544,584</u>	<u>\$ 5,277,538</u>

The accompanying notes are an integral part of these statements.

Town of Livingston

**Statement of Activities
For the Year Ended December 31, 2002**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General and Administrative	\$ 241,384	\$ 102,658	\$ -	\$ -
Police Protection	226,190	66,483	56,424	-
Fire Protection	61,587	-	17,721	-
Public Works	134,800	-	16,691	3,300
Sanitation	51,961	41,400	-	-
Health & Welfare	3,938	-	-	-
Culture and Recreation	220,353	171,441	-	-
Interest on Long-Term Debt	3,470	-	-	-
Total Governmental Activities	<u>943,683</u>	<u>381,982</u>	<u>90,836</u>	<u>3,300</u>
Business-Type Activities:				
Water Utility	194,294	363,436	-	1,606
Gas Utility	222,491	354,093	-	-
Sewer Utility	191,228	121,891	-	-
Total Business-Type Activities	<u>608,013</u>	<u>839,420</u>	<u>-</u>	<u>1,606</u>
Total Primary Government	<u>\$ 1,551,696</u>	<u>\$ 1,221,402</u>	<u>\$ 90,836</u>	<u>\$ 4,906</u>

General Revenues:

Taxes:

Property Taxes
Franchise Taxes
Sales Taxes
Alcoholic Beverage Tax
Interest Income
Oil, Gas & Mineral Royalties
Miscellaneous
Operating Transfers In (Out)
Total General Revenues

Change in Net Assets

Net Assets - Beginning
Prior Period Adjustment (Note 21)
Net Assets - Ending

The accompanying notes are an integral part of these statements.

Statement B

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (138,726)	\$ -	\$ (138,726)
(103,283)	-	(103,283)
(43,866)	-	(43,866)
(114,809)	-	(114,809)
(10,561)	-	(10,561)
(3,938)	-	(3,938)
(48,912)	-	(48,912)
(3,470)	-	(3,470)
<u>(467,565)</u>	<u>-</u>	<u>(467,565)</u>
-	170,748	170,748
-	131,602	131,602
-	(69,337)	(69,337)
<u>-</u>	<u>233,013</u>	<u>233,013</u>
<u>(467,565)</u>	<u>233,013</u>	<u>(234,552)</u>
26,094	-	26,094
72,197	-	72,197
201,475	-	201,475
2,124	-	2,124
7,078	13,320	20,398
6,213	-	6,213
14,459	-	14,459
100,000	(100,000)	-
<u>429,640</u>	<u>(86,680)</u>	<u>342,960</u>
(37,925)	146,333	108,408
1,743,382	3,398,251	5,141,633
27,497	-	27,497
<u>\$ 1,732,954</u>	<u>\$ 3,544,584</u>	<u>\$ 5,277,538</u>

Town of Livingston, Louisiana

Statement C

**Balance Sheet
Governmental Funds
December 31, 2002**

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Assets			
Cash & Cash Equivalents	\$ 275,100	\$ 5	\$ 275,105
Taxes Receivable:			
Ad Valorem Taxes	18,298	-	18,298
Public Utility Franchise Taxes	16,935	-	16,935
Sales and Use Taxes	32,584	-	32,584
Prepaid Expenses	16,608	-	16,608
Royalties Receivable	681	-	681
Due From Other Funds:			
Capital Project Fund	5	-	5
Enterprise Fund	45,096	-	45,096
Due From Other Governments:			
Louisiana Beer Tax Distribution	945	-	945
Bureau of Justice	7,676	-	7,676
Total Assets	<u>\$ 413,928</u>	<u>\$ 5</u>	<u>\$ 413,933</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts Payable	\$ 11,476	\$ -	\$ 11,476
Other Accrued Expenses	21,792	-	21,792
Protested Taxes	43	-	43
Due To Other Funds:			
General Fund	-	5	5
Total Liabilities	<u>33,311</u>	<u>5</u>	<u>33,316</u>
Fund Balance:			
Unreserved & Undesignated	380,617	-	380,617
Total Fund Balance	<u>380,617</u>	<u>-</u>	<u>380,617</u>
Total Liabilities and Fund Balance	<u>\$ 413,928</u>	<u>\$ 5</u>	<u>\$ 413,933</u>

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Statement D

**Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Financial Statement of Net Assets
December 31, 2002**

Fund Balances, Total Governmental Funds	\$ 380,617
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds. These assets consist of:	
Capital assets, net of depreciation	1,389,014
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the governmental funds. These liabilities consist of:	
Capital lease obligations	(36,677)
Net Assets, Governmental Activities	\$ <u>1,732,954</u>

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Statement E

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2002**

	General Fund	Capital Project Fund	Total (Memo Only)
Revenues			
Taxes	\$ 299,766	\$ -	\$ 299,766
Licenses and Permits	84,658	-	84,658
Intergovernmental	39,794	-	39,794
Sanitation Fees	41,400	-	41,400
Fines	66,020	-	66,020
Interest Income	7,078	-	7,078
Oil, Gas, & Mineral Royalties	6,213	-	6,213
Rental Income	18,000	-	18,000
Court Fees	463	-	463
Fire Department	4,412	-	4,412
Parks and Recreation	171,441	-	171,441
Miscellaneous	14,459	-	14,459
Louisiana Law Enforcement Grant	1,471	-	1,471
COPS Universal Hiring Grant	34,783	-	34,783
Recreational Trails Grant	-	-	-
Rural Development Grant	12,500	-	12,500
LCDBG Grant	-	3,300	3,300
Total Revenues	<u>802,458</u>	<u>3,300</u>	<u>805,758</u>
Expenditures			
General and Administrative	232,535	-	232,535
Police Department	239,654	-	239,654
Fire Department	45,214	-	45,214
Street Department	152,170	-	152,170
Sanitation Department	51,961	-	51,961
Health Department	3,938	-	3,938
Parks and Recreation	214,815	-	214,815
Fire Protection Improvement Project	-	3,300	3,300
Total Expenditures	<u>940,287</u>	<u>3,300</u>	<u>943,587</u>
Excess Revenues (Expenditures)	<u>(137,829)</u>	<u>-</u>	<u>(137,829)</u>
Other Financing Sources (Uses)			
Operating Transfers In	100,000	-	100,000
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Excess Revenues and Other Sources (Expenditures and Other Uses)	<u>(37,829)</u>	<u>-</u>	<u>(37,829)</u>
Fund Balance, Beginning	390,949	-	390,949
Prior Period Adjustment (Note 21)	27,497	-	27,497
Fund Balance, End of Year	<u>\$ 380,617</u>	<u>\$ -</u>	<u>\$ 380,617</u>

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Statement F

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2002**

Net Change in Fund Balances, Total Governmental Funds	\$ (37,829)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:

Capital Outlay	67,047
Depreciation Expense	(91,263)

Repayment of capital lease principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These differences consist of:

Principal Payments	24,120
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Change in Net Assets, Governmental Activities	\$ <u>(37,925)</u>
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The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Statement G

**Statement of Net Assets
Proprietary Funds
December 31, 2002**

	<u>Enterprise Fund</u>
Assets	
Current Assets:	
Cash & Cash Equivalents	\$ 308,746
Accounts Receivable, Net	137,781
Accrued Interest	1,022
Prepaid Expenses	4,706
Total Current Assets	<u>452,255</u>
Restricted Cash and Cash Equivalents:	
Bond Reserve Fund	69,588
Bond Depreciation and Contingency Fund	79,382
Customer Deposits	98,451
Total Restricted Assets	<u>247,421</u>
Property, Plant, and Equipment	
Buildings	13,349
Water Utility System	2,485,499
Gas Utility System	423,021
Sewer Utility System	3,026,666
Machinery and Equipment	126,932
Accumulated Depreciation	<u>(2,503,320)</u>
Net Property, Plant, and Equipment	<u>3,572,147</u>
Total Assets	<u>4,271,823</u>
Liabilities	
Current Liabilities (Payable From Current Assets):	
Accounts Payable	47,937
Other Accrued Expenses	6,067
Revenue Bonds Payable	44,850
Capital Lease Payable	18,389
Due To General Fund	45,096
Total Current Liabilities (Payable From Current Assets)	<u>162,339</u>
Current Liabilities (Payable From Restricted Assets):	
Customer Deposits Payable	83,316
Total Current Liabilities (Payable From Restricted Assets)	<u>83,316</u>
Long-Term Liabilities:	
Revenue Bonds Payable	470,280
Capital Lease Payable	11,304
Total Long-Term Liabilities	<u>481,584</u>
Total Liabilities	<u>727,239</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Statement G

**Statement of Net Assets
Proprietary Funds
December 31, 2002**

	<u>Enterprise Fund</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 3,027,323
Restricted for Debt Service	164,105
Unrestricted	<u>353,156</u>
Total Net Assets	<u>\$ 3,544,584</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Statement H

**Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2002**

	<u>Enterprise Fund</u>
Operating Revenues	
Gas Sales	\$ 345,496
Less Cost of Gas Sold	<u>(123,645)</u>
Gross Profit on Gas Sales	221,851
Water Sales	337,372
Sewer Service Charges	114,118
Service Connection Charges	18,017
Delinquent Charges	23,910
Other Operating Revenues	507
Total Operating Revenues	<u>715,775</u>
Operating Expenses	
Bad Debt Expense	2,867
Contract Repairs	6,854
Depreciation	152,540
Employee Insurance	18,858
Employee Retirement	3,064
Equipment Expense	680
Insurance	8,825
Janitorial	3,043
Materials and Supplies	28,918
Office Expense	9,283
Other Operating Expenses	2,516
Payroll Taxes	9,505
Professional Services	17,178
Safe Drinking Water Fees	3,655
Salaries Maintenance	87,401
Salaries Office	40,005
Sewer Expense	24,037
Truck Expense	5,619
Uniform Rental	1,464
Utilities	29,014
Total Operating Expenses	<u>455,326</u>
Operating Income (Loss)	<u>260,449</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Statement H

**Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2002**

	<u>Enterprise Fund</u>
Nonoperating Revenues (Expenses)	
Interest Revenue	\$ 13,320
Interest Expense	(29,042)
Total Nonoperating Revenues (Expenses)	<u>(15,722)</u>
Income (Loss) Before Contributions and Transfers	<u>244,727</u>
Contributions and Transfers	
Operating Transfers In	-
Operating Transfers Out	(100,000)
Capital Contributions	1,606
Total Contributions and Transfers	<u>(98,394)</u>
Change in Net Assets	146,333
Net Assets, Beginning	3,398,251
Net Assets, Ending	<u>\$ 3,544,584</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2002

Statement I

	Enterprise Fund
Cash Flows From Operating Activities	
Received From Customers	\$ 815,363
Received for Meter Deposit Fees	6,869
Other Receipts	507
Payments for Interfund Services	26,445
Payments for Operations	(252,719)
Payments to Employees	(156,889)
Net Cash Provided (Used) by Operating Activities	<u>439,576</u>
Cash Flows From Noncapital Financing Activities	
Transfers to Other Funds	(100,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(100,000)</u>
Cash Flows From Capital and Related Financing Activities	
Capital Contributions Received	1,606
Paid for Capital Acquisitions	(287,747)
Principal Repayments, Revenue Bonds Payable	(42,560)
Principal Repayments, Capital Lease Payable	(16,049)
Interest Payments - Revenue Bonds Payable	(27,028)
Interest Payments - Capital Lease Payable	(2,014)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(373,792)</u>
Cash Flows From Investing Activities	
Receipt of Interest	12,826
Net Cash Provided (Used) by Investing Activities	<u>12,826</u>
Net Increase (Decrease) in Cash	(21,390)
Cash, Beginning of Year	577,557
Cash, End of Year	<u>\$ 556,167</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2002

Statement I

	<u>Enterprise Fund</u>
Reconciliation of Net Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	\$ 260,449
Operating Income (Loss)	
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	152,540
Change in Accounts Receivable	(20,683)
Change in Prepaid Expenses	(4,248)
Change in Accounts Payable	16,518
Change in Accrued Expenses	1,686
Change in Due to Other Funds	26,445
Change in Customer Deposits	6,869
Net Cash Provided (Used) by Operating Activities	\$ <u>439,576</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

Introduction

The Town of Livingston, Louisiana was incorporated November 4, 1955, under the provisions of the Lawrason Act. The Town operates under a Mayor/Board of Aldermen form of government. The Mayor and each of five aldermen are elected at large for four-year terms. The Mayor and Aldermen are compensated per diem for each meeting attended; in addition, the Mayor receives a salary. The Town is located 28 miles east of Baton Rouge, Louisiana, north of Interstate Highway 12, with U.S. Highway 190 intersecting the northern part of the town. The Town's total population is 1,342, as reported by the U.S. Census Bureau, Census 2000. The town provides police and fire protection, services to maintain and develop streets, drainage, and sanitation, support of recreation activities, general and administrative services, and utilities services for area residents. The Town provides water, gas, and sewer utility services to 1,634 water customers, 458 gas customers, and 781 sewer customers inside and outside of the Town limits. The Town employs 17 full-time employees in addition to the Mayor and Board of Aldermen.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Town has oversight of a component unit that is discretely presented in the notes to the financial statements.

1. Summary of Significant Accounting Policies

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are presented as separate columns in the fund financial statements.

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

The *Capital Project Fund* accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

The Town reports the following major proprietary funds:

Enterprise Fund - accounts for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule, if applicable, are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool and mutual funds consisting solely of government-backed securities.

Investments for the Town, as well as for its component units, are reported at fair market value. The state investment pool, LAMP, operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General Corporate Purposes	5.19	5.19	None

Sales Taxes are levied at one percent. The proceeds of this sales and use tax are dedicated to general corporate purposes.

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable debt covenants.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$1,000 or more for capitalizing capital assets.

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

The Town elected early implementation of GASB 34 in the fiscal year ending December 31, 2001. However, as a Phase III government (a government with annual revenues of less than \$10 million), the Town elected not to retroactively report infrastructure assets prior to implementation. Historically, a government's largest group of assets, infrastructure assets (roads, bridges, street lighting, etc.) have not been reported nor depreciated in governmental financial statements. Beginning with the fiscal year ended December 31, 2001, these assets are now valued and reported within the governmental activities column of the government-wide financial statements.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend their lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line basis over the following useful lives:

Buildings	20 - 40 Years
Improvements	20 - 40 Years
Vehicles and Equipment	5 - 15 Years
Infrastructure	20 - 40 Years
Water Utility System	20 - 40 Years
Gas Utility System	20 - 40 Years
Sewer Utility System	20 - 40 Years

H. Compensated Absences

The Town has the following policy relating to vacation and sick leave:

All employees during their first and second year of service will receive one week paid vacation each year. One week of vacation can be taken after the first six months of the first year. Employees with two or more years service will receive two weeks paid vacation each year. Employees with 10 years or more will receive three weeks. Employees with 20 years or more will receive four weeks. Preference will be posted by January 15 of each year. Vacations will be approved by the department head and the Mayor. Vacation will be calculated on a calendar year. An employee hired after the first six months of a year will receive one week during the following calendar year. Vacation time accrued must be taken by the end of the fiscal year.

After six months employment, an employee may receive eight hours sick leave each month. After two years employment, the sick leave will increase to ten hours each month. All employees who have been employed by the Town five years or longer will receive twelve hours sick leave each month. An employee may accumulate a maximum of one thousand four hundred forty hours sick leave. No pay shall be granted for sick days if employee resigns or is terminated. No sick days shall be taken in lieu of vacations.

In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

I. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

N. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets is presented in Statement D of the basic financial statements. Explanation of certain differences between the governmental fund statement of revenues, expenses, and changes in fund balances and the government-wide statement of activities is presented in Statement F of the basic financial statements.

**Town of Livingston, Louisiana
Notes to the Financial Statements**

As of and for the Year Ended December 31, 2002

2. Stewardship, Compliance and Accountability

The Town uses the following budget practices:

1. The Town Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving the increase in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the general, capital projects, and enterprise funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for enterprise funds are presented on the accrual basis of accounting. Other governmental funds are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison schedules present actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. All budgetary amounts presented reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

3. Cash and Cash Equivalents

At December 31, 2002, the Town has cash and cash equivalents (book balances) totaling \$831,272 as follows:

Demand Deposits	\$ 105
Interest-Bearing Demand Deposit	240,924
Louisiana Assets Management Pool	24,476
Time Deposits	565,767
	<u>\$ 831,272</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

**Town of Livingston, Louisiana
Notes to the Financial Statements**

As of and for the Year Ended December 31, 2002

At December 31, 2002, the Town has \$811,409 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$611,409 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

4. Investments

Investments are categorized into these three categories of credit risk:

1) Insured or registered, or securities held by the town or its agent in the Town's name, 2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name, or 3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the town's name.

All investments held by the Town fall into category I credit risk, defined as "insured or registered, or securities held by the Town of Livingston or its agent in the Town of Livingston's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

Investments held by the Town of Livingston at December 31, 2002, are as follows:

	Fair Value	Total Carrying Amount
Louisiana Asset Management Pool (LAMP)	\$ 24,476	\$ 24,476

In accordance with GASB Codification Section 150.165, the investment in LAMP at December 31, 2002, is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. At December 31, 2002, all investments held by the Town are classified as cash equivalents.

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

5. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and the period aging and write-off of accounts receivable. Major receivables balances for the governmental activities include sales taxes, franchise taxes, occupational licenses, fines, and grants. Business-type activities report utilities earnings as their major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise taxes, occupational licenses, fines, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund revenues consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging and write-off of accounts receivable.

The General Fund receivables at December 31, 2002 consist of the following:

Taxes:	
Ad Valorem	\$ 18,298
Public Utility Franchise	16,935
Sales and Use	32,584
Intergovernmental:	
Louisiana Beer Tax Distribution	945
Bureau of Justice	7,676
Royalties	681
	<u>\$ 77,119</u>

The Enterprise Fund accounts receivable at December 31, 2002 consist of the following:

Current	\$ 89,764
31 - 60 Days	24,152
61 - 90 Days	2,185
Over 90 Days	<u>7,317</u>
Subtotal	123,418
Less Allowance for Bad Debt	<u>2,500</u>
Accounts Receivables, Net	120,918
Accrued Billings	<u>16,863</u>
	<u>\$ 137,781</u>

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

6. Interfund Receivables/Payables

The following is a detailed list of interfund balances reported in the fund financial statements on December 31, 2002:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 45,101	\$ -
Capital Projects Fund	-	5
Enterprise Fund	-	45,096
	<u>\$ 45,101</u>	<u>\$ 45,101</u>

7. Capital Assets

The Town elected early implementation of GASB 34 in the fiscal year ending December 31, 2001. However, as a Phase III government (a government with annual revenues of less than \$10 million), the Town elected not to retroactively report infrastructure assets prior to implementation. Historically, a government's largest group of assets, infrastructure assets (roads, bridges, street lighting, etc.) have not been reported nor depreciated in governmental financial statements. Beginning with the fiscal year ended December 31, 2001, these assets are now valued and reported within the governmental activities column of the government-wide financial statements.

Capital assets and depreciation activity as of and for the year ended December 31, 2002 for governmental activities is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 113,580	\$ -	\$ -	\$ 113,580
Total Capital Assets Not Being Depreciated	<u>113,580</u>	<u>-</u>	<u>-</u>	<u>113,580</u>
Capital Assets Being Depreciated:				
Buildings	492,634	-	-	492,634
Improvements	602,509	15,158	-	617,667
Vehicles and Equipment	670,141	34,563	-	704,704
Infrastructure	202,973	17,325	-	220,298
Total Capital Assets Being Depreciated	<u>1,968,257</u>	<u>67,046</u>	<u>-</u>	<u>2,035,303</u>
Less Accumulated Depreciation for:				
Buildings	205,778	12,309	-	218,087
Improvements	130,462	20,696	-	151,158
Vehicles and Equipment	331,922	49,045	-	380,967
Infrastructure	444	9,213	-	9,657
Total Accumulated Depreciation	<u>668,606</u>	<u>91,263</u>	<u>-</u>	<u>759,869</u>
Capital Assets Being Depreciated, Net	<u>1,299,651</u>	<u>-24,217</u>	<u>-</u>	<u>1,275,434</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,413,231</u>	<u>\$ -24,217</u>	<u>\$ -</u>	<u>\$ 1,389,014</u>

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

Depreciation was charged to governmental functions as follows:

General Administration	\$ 11,298
Police Protection	20,650
Fire Protection	21,654
Public Works	16,965
Culture and Recreation	20,696
	<u>\$ 91,263</u>

Capital assets and depreciation activity as of and for the year ended December 31, 2002 for business-type activities is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Buildings	\$ 11,229	\$ 2,120	\$ -	\$ 13,349
Vehicles and Equipment	120,891	6,041	-	126,932
Water Utility System	2,255,399	230,100	-	2,485,499
Gas Utility System	397,815	25,206	-	423,021
Sewer Utility System	<u>3,002,385</u>	<u>24,281</u>	-	<u>3,026,666</u>
Total Capital Assets Being Depreciated	<u>5,787,719</u>	<u>287,748</u>	-	<u>6,075,467</u>
Less Accumulated Depreciation for:				
Buildings	5,687	560	-	6,247
Vehicles and Equipment	56,726	13,102	-	69,828
Water Utility System	852,155	49,555	-	901,710
Gas Utility System	147,335	10,086	-	157,421
Sewer Utility System	<u>1,288,877</u>	<u>79,237</u>	-	<u>1,368,114</u>
Total Accumulated Depreciation	<u>2,350,780</u>	<u>152,540</u>	-	<u>2,503,320</u>
Capital Assets Being Depreciated, Net	<u>3,436,939</u>	<u>135,208</u>	-	<u>3,572,147</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,436,939</u>	<u>\$ 135,208</u>	<u>\$ -</u>	<u>\$ 3,572,147</u>

8. Accounts, Salaries, and Other Payables

The payables of \$87,272 at December 31, 2002 are as follows:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Accounts	\$ 11,476	\$ 47,937	\$ 59,413
Salaries	9,887	4,403	14,290
Withholdings	11,905	-	11,905
Sales Tax	-	1,664	1,664
	<u>\$ 33,268</u>	<u>\$ 54,004</u>	<u>\$ 87,272</u>

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

9. Leases

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of capital leases outstanding at December 31, 2002:

	<u>Equipment</u>
General Fund	\$ 36,677
Proprietary Fund	<u>29,693</u>
	<u>\$ 66,370</u>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2002:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
2003	\$ 28,542	\$ 19,646	\$ 48,188
2004	<u>10,346</u>	<u>11,571</u>	<u>21,917</u>
Total Minimum Lease Payments	38,888	31,217	70,105
Less: Amounts Representing Interest	<u>-2,211</u>	<u>-1,524</u>	<u>-3,735</u>
Present Value of Net Minimum Lease Payments	<u>\$ 36,677</u>	<u>\$ 29,693</u>	<u>\$ 66,370</u>

As of December 31, 2002, the Town has no operating leases outstanding.

10. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2002:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Leases	\$ 106,540	\$ -	\$ 40,170	\$ 66,370
Revenue Bonds	<u>557,691</u>	<u>-</u>	<u>42,561</u>	<u>515,130</u>
	<u>\$ 664,231</u>	<u>\$ -</u>	<u>\$ 82,731</u>	<u>\$ 581,500</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2002:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Capital Leases	\$ 45,049	\$ 21,321	\$ 66,370
Revenue Bonds	<u>44,850</u>	<u>470,280</u>	<u>515,130</u>
	<u>\$ 89,899</u>	<u>\$ 491,601</u>	<u>\$ 581,500</u>

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

As of December 31, 2002, outstanding revenue bond issues are as follows:

	<u>Principal Outstanding</u>
\$56,000 General Obligation Ad Valorem Tax Bonds, dated 2/20/75, due in monthly installments of \$275 through 2015, interest at 5% (these issues are secured by a dedication of a permanent Ad Valorem Tax of the Town).	\$ 24,858
\$28,000 General Obligation Ad Valorem Tax Bonds, of Sewer District No. 1 of the Town, dated 2/20/75, due in monthly installments of \$138 through 2015, interest at 5% (these issues are secured by a dedication of a permanent Ad Valorem Tax of the District).	12,792
\$843,000 Utility Revenue Bonds 2, dated 2/20/75, due in monthly installments of \$4,128 through 2015, interest at 5% (this issue is secured by the income and revenues derived from the operation of the Town's Utility System).	391,460
\$257,000 Utility Revenue Bonds 2, dated 2/20/75, due in monthly installments of \$2,258 through 2015, interest at 5% (this issue is secured by the income and revenues derived from the operation of the Town's Utility System).	86,020
	<u>\$ 515,130</u>

The annual requirements to amortize all debt outstanding at December 31, 2002, including interest payments of \$335,258 are as follows:

	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Total</u>
2003	\$ 48,188	\$ 69,588	\$ 117,776
2004	21,917	69,588	91,505
2005	-	69,588	69,588
2006	-	69,588	69,588
2007	-	69,588	69,588
2008 - 2012	-	347,940	347,940
2013 - 2015	-	150,773	150,773
	<u>\$ 70,105</u>	<u>\$ 846,653</u>	<u>\$ 916,758</u>

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

11. Flow of Funds and Restrictions on Use - Utilities Revenues

The voters of the Town approved the issuance of \$1,100,000 Utility Revenue Bonds, \$56,000 General Obligation Ad Valorem Tax Bonds of the Town and \$28,000 General Obligation Ad Valorem Tax Bonds of Sewer District No. 1 of the Town in an election held August 24, 1974. The governing authority of the Town adopted a resolution on January 13, 1975, authorizing issuance of the above utility bonds. On February 20, 1975, the Town sold \$1,184,000 of the authorized bonds to United States Department of Agriculture, Rural Utility Service (RUS). The bonds were issued for forty (40) years payable with interest at the rate of 5% per annum. The bonds and any installments may be paid prior to the due date and maturity thereof at a price of par and accrued interest to the date of prepayment. The proceeds of the bonds are restricted to use for redeeming \$198,640 of 1958 Water and Gas Revenue Bonds of the Town and construction and improvements to the combined utility system and are subject to the provisions of the above resolution adopted January 13, 1975.

Under the terms of the bond proceeds to the Town, the revenue bonds are payable as to principal and interest solely from the income and revenue derived from the operation of the combined utility system of the Town after provision has been made for payment of the reasonable and necessary expenses of administering, operating, and maintaining the system. The Ad Valorem Tax Bonds of the Town are secured by a dedication of a permanent Ad Valorem tax of the Town. These bonds do not constitute an indebtedness or pledge of the general credit of the Town within the meaning of any constitutional or statutory limitation of indebtedness.

The Town is to maintain its present gas rates and increase these rates when the wholesale price of natural gas increases by adding a fuel adjustment cost equal to the difference per 1,000 cubic feet. The Town has minimum water rates it must charge under this agreement.

Each month the Town will reserve into a Bond and Interest Sinking (Redemption) Fund a sum equal to one-twelfth (1/12) of the interest and principal due on the next bond payment due date, and a proportionate sum as may be required as the bonds respectfully become due. Money in the sinking funds shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments. Alternately, RUS has set up a payment schedule whereby the Town can make such payments directly to its office, thus eliminating the need for the Bond and Interest Sinking Fund. There shall also be set aside into a Utility System Bond Reserve Fund a sum equal to 5% of the monthly bond payment, or \$290, after the construction becomes revenue-producing until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default. The balance in the fund at December 31, 2002 is \$69,588.

Funds will also be reserved into a Depreciation and Contingency Fund after completion of the project at the rate of \$275 per month. Money in this fund will be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition, enhance its revenue producing capacity, or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in the other bond funds. The balance in the fund at December 31, 2002 is \$79,382.

**Town of Livingston, Louisiana
Notes to the Financial Statements**

As of and for the Year Ended December 31, 2002

All the revenues received in any fiscal year and not required to be paid into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

As of December 31, 2002, the Town has not assessed any Ad Valorem Taxes to be used for payment of the Ad Valorem tax bond issues. The Town has elected to make the payments out of current utility revenues.

12. Retirement Systems

The Town entered the Municipal Police Employees Retirement System of Louisiana, a cost-sharing, multiple-employer defined benefit plan administered by a separate board of trustees, in 1993. A description of the Municipal Police Employees Retirement System is as follows:

Plan Description: All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy: Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Livingston is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the Police Retirement System for the years ending December 31, 2002, 2001, and 2000, were \$10,465, \$8,387, and \$6,916 respectively, equal to the required contributions for each year.

The Town of Livingston, Louisiana adopted a Savings Incentive Match Plan for Employees (SIMPLE) IRA retirement plan, a defined contribution plan administered by Fidelity Trust Company, in 1998. A description of the Town's SIMPLE IRA plan is as follows:

Plan Description: Any Town employee who is not covered under the Municipal Police Employees Retirement System of Louisiana and who is reasonably expected to receive at least \$5,000 in compensation during the current calendar year is eligible to participate in the plan.

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

Funding Policy: Plan members elect to defer a percentage of their compensation to the plan each year, up to a maximum of \$7,000 each year. Salary reduction election amounts may be changed at any time during the sixty-day period before the beginning of each plan year, and salary reduction elections may be terminated at any time during the plan year. If a plan member's salary reduction election is terminated during the plan year, that plan member may not resume salary reduction contributions until the next plan year. The Town makes a dollar-for-dollar match of each plan members salary reduction contributions each year, up to a maximum of 3% or \$6,000, whichever is less. All funds are fully vested, and the Town has no further liability in the plan.

13 . Other Post-Retirement Benefits

All of the Town's employees participate in the Federal Social Security Program. The Town's contributions for the year ended December 31, 2002, were \$18,744 for General Fund employees and \$7,505 for the Enterprise Fund employees. Future deficits in the system will be financed by the United States Government, and the Town has no further liability in the system. Data concerning the actuarial status of the system is not available.

14. Reserved and Designated Retained Earnings/Fund Balances

At December 31, 2002, the general fund had no reserved or designated fund balances.

At December 31, 2002, the proprietary fund had restricted net assets of \$164,105, representing the Town's funds restricted by revenue bond debt covenants and contracts with customers for meter deposits, net of the related liability.

15. Contingent Liabilities

At December 31, 2002, the Town was involved in two lawsuits, the likelihood of the outcomes of which are not possible to determine or estimate; therefore, the Town has recorded no liability in relation to this litigation.

16. On-Behalf Payments for Fringe Benefits and Salaries

During the year ended December 31, 2002, the Town received the following on-behalf payments, which were recorded as revenues when received and expenditures when the cost was incurred:

State Supplemental Pay, Policemen	\$ 16,570
State Supplemental Pay, Firemen	<u>3,600</u>
	<u>\$ 20,170</u>

17. Fire Insurance Rebate

The Town maintains an active certified volunteer fire department as defined by Louisiana R. S. 22:1580 and is eligible for and receives a pro rata share of the fire insurance tax collected by the State. The amounts received by the fire department are based on the population in the Town and unincorporated areas that it serves. In accordance with the Revised Statutes, such money shall be used only for the purpose of rendering more efficient and efficacious the active volunteer fire department as the Town shall direct.

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

18. Oil, Gas, and Mineral Lease

On January 4, 1983, the Town leased all of its lands, streets, alleys, public ways and places containing 141.60 acres, more or less to Callon Petroleum Company (high bidder) of Natchez, Mississippi, for the purpose of exploring by any method, including but not limited to, geophysical and geological exploration for formations of structures and prospecting and drilling for, mining, and producing sulphur, potash, oil, gas and any other liquid or gaseous hydrocarbon minerals.

The rights herein granted are limited as to depth and said rights extend only from the surface of the earth to 100 feet below the base of the Wilcox formation, or its stratigraphic equivalent. All rights for minerals lying below said depth to the center of the earth are expressly reserved to the lessor.

The Town's 25% royalty rights under the above lease are currently assigned to TMR Exploration, Inc. During the fiscal year ending December 31, 2002, the Town of Livingston recorded \$6,213 in royalty income. The royalties received under the oil, gas, and mineral leases are reported in the Town's general fund.

19. Industrial Building Lease

On September 1, 2000, the Town's industrial building was leased. The term of the lease is 3 years, with a required lease payment of \$1,500 per month. All required payments were made for the year 2002.

20. Component Unit Information

The Town has determined that the Livingston Intergovernmental Commission is a major component unit. Livingston Intergovernmental Commission has one type of fiduciary fund, expendable trust fund. The expendable trust funds' resources, including both principal and earnings, may be expended. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

Livingston Intergovernmental Commission
Balance Sheet
December 31, 2002

Assets		
Cash & Cash Equivalents	\$	692,546
Investments, At Fair Value		5,468,459
Accrued Interest Receivable		17,810
Due From Other Funds		10,740
Total Assets	\$	<u>6,189,555</u>
Liabilities & Fund Balance		
Liabilities:		
Accounts Payable	\$	1,924
Accrued Expense Payable		4,218
Due To Other Funds		10,740
Total Liabilities		<u>16,882</u>
Fund Balance, Reserved		6,172,673
Total Liabilities & Fund Balance	\$	<u>6,189,555</u>

Livingston Intergovernmental Commission
Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiduciary Fund Type - Expendable Trust Funds
Year Ended December 31, 2002

Revenues		
Investment Income:		
Net Increase (Decrease) In Fair Value Of Investments	\$	307,997
Interest Earned		153,803
Total Revenues		<u>461,800</u>
Expenditures		
General and Administrative		96,885
Salaries		120,672
Health Surveillance Contract		258,333
Environmental Surveillance Contract		21,000
Site Surveillance Contract		25,487
Total Expenditures		<u>522,377</u>
Excess Revenues (Expenditures)		-60,577
Fund Balance, Reserved, Beginning Of Year		6,233,250
Fund Balance, Reserved, End Of Year	\$	<u>6,172,673</u>

Town of Livingston, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2002

21. Prior-Period Adjustment

Prior-period adjustments were made to correct the governmental activities beginning net asset balance. The adjustments were made to correct a prior-year failure to accrue correct amounts for prepaid insurance and ad valorem taxes receivable, resulting in an overstatement of insurance expense and an understatement of ad valorem tax revenue, respectively. The correction to the beginning governmental activities net assets balance is as follows:

Net Assets, as Originally Stated	\$ 1,743,382
Insurance Expense Overstatement	13,547
Ad Valorem Tax Revenue Understatement	13,950
Net Assets, as Restated	<u>\$ 1,770,879</u>

Required Supplemental Information (Part II)

Town of Livingston, Louisiana

Schedule 1

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2002**

Revenues	Budgeted Amounts		Actual Amounts: Budgetary Basis	Variance With Final Budget: Favorable (Unfavorable)
	Original	Final		
Taxes:				
Sales and Use Taxes	\$ 200,000	\$ 200,000	\$ 201,475	\$ 1,475
Ad Valorem Taxes	22,000	22,000	26,094	4,094
Public Utility Franchise Taxes	80,000	72,000	72,197	197
Licenses and Permits:				
Business Licenses	71,000	83,000	83,191	191
Beer Permits	200	200	234	34
Building Permits	500	1,500	1,233	(267)
Intergovernmental:				
Livingston Parish Fire Protection Dist 12	9,000	10,000	10,000	-
Louisiana Beer Tax Distribution	2,000	2,500	2,124	(376)
Louisiana Fire Insurance Rebate	3,000	3,300	3,309	9
Louisiana Highway Maintenance	4,200	4,200	4,191	(9)
State Supplemental Pay	-	-	20,170	20,170
Sanitation Fees	48,000	42,000	41,400	(600)
Fines	75,000	65,000	66,020	1,020
Interest Income	15,000	7,000	7,078	78
Oil, Gas, & Mineral Royalties	5,000	6,500	6,213	(287)
Rental Income	18,000	18,000	18,000	-
Court Fees	500	500	463	(37)
Fire Department	500	4,500	4,412	(88)
Parks and Recreation	61,300	171,000	171,441	441
Miscellaneous Income	3,000	13,500	14,459	959
Louisiana Law Enforcement Grant	1,200	1,500	1,471	(29)
COPS Universal Hiring Grant	24,000	34,000	34,783	783
Recreational Trails Grant	24,000	-	-	-
Rural Development Grant	25,000	12,500	12,500	-
Total Revenues	692,400	774,700	802,458	27,758

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 1

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2002**

Expenditures	Budgeted Amounts		Actual Amounts: Budgetary Basis	Variance With Final Budget: Favorable (Unfavorable)
	Original	Final		
General and Administrative:				
Salaries, Mayor and Aldermen	\$ 26,300	\$ 31,000	\$ 30,452	\$ 548
Salaries, Town Clerk	29,900	32,000	32,024	(24)
Salaries, Court Clerk	900	900	900	-
Office Expenses	7,200	2,900	2,571	329
Office Telephone	2,800	2,800	2,762	38
Advertising and Printing	3,100	1,600	1,514	86
Professional Services	29,900	27,000	20,402	6,598
Dues, Subscriptions, and Meetings	4,900	6,000	6,053	(53)
Insurance (All Departments)	53,600	54,300	53,404	896
Employee Insurance (All Departments)	22,700	42,500	42,572	(72)
Employee Retirement (All Departments)	2,300	2,500	2,238	262
Payroll Taxes (All Departments)	22,700	29,300	23,630	5,670
Beautification	1,000	100	40	60
Building and Grounds Maintenance	100	100	25	75
Industrial Building Repairs	500	500	-	500
Capital Lease Principal Payments	1,600	1,600	1,672	(72)
Capital Lease Interest Payments	800	800	778	22
Miscellaneous	5,000	10,000	11,498	(1,498)
Capital Outlay	15,000	-	-	-
Total General and Administrative	<u>230,300</u>	<u>245,900</u>	<u>232,535</u>	<u>13,365</u>
Public Safety:				
Police Department:				
Salaries	138,000	141,000	159,827	(18,827)
Supplies	5,200	5,200	5,461	(261)
Automobile Expense	12,400	15,000	13,502	1,498
Automobile Gasoline	9,800	14,000	12,898	1,102
Retirement	9,800	9,800	10,465	(665)
Other Police Expense	5,200	3,200	3,387	(187)
Capital Lease Principal Payments	10,200	10,200	10,177	23
Capital Lease Interest Payments	1,000	1,000	1,055	(55)
Capital Outlay	22,000	23,000	22,882	118
Total Police Department	<u>213,600</u>	<u>222,400</u>	<u>239,654</u>	<u>(17,254)</u>
Fire Department:				
Salaries	24,300	24,300	27,470	(3,170)
Miscellaneous	9,300	13,000	12,462	538
Capital Outlay	2,000	5,300	5,282	18
Total Fire Department	<u>35,600</u>	<u>42,600</u>	<u>45,214</u>	<u>(2,614)</u>
Total Public Safety	<u>249,200</u>	<u>265,000</u>	<u>284,868</u>	<u>(19,868)</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 1

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2002**

	Budgeted Amounts		Actual Amounts: Budgetary Basis	Variance With Final Budget: Favorable (Unfavorable)
	Original	Final		
Street Department:				
Salaries	\$ 68,000	\$ 63,000	\$ 62,841	\$ 159
Utilities, Street Lights	14,800	13,000	12,998	2
Repairs and Maintenance	4,100	4,500	5,067	(567)
Equipment Operating Expenditures	12,600	8,600	7,082	1,518
Capital Lease Principal Payments	13,000	13,100	12,271	829
Capital Lease Interest Payments	1,700	1,700	1,637	63
Other Street Expenditures	21,500	28,600	25,023	3,577
Sidewalk Maintenance	-	6,000	4,825	1,175
Capital Outlay	-	-	3,100	(3,100)
Capital Outlay - Street Overlay	25,000	12,000	11,588	412
Capital Outlay - Sidewalks	-	5,800	5,738	62
Total Street Department	160,700	156,300	152,170	4,130
Sanitation Department:				
Collection Fees	53,500	53,500	51,961	1,539
Total Sanitation Department	53,500	53,500	51,961	1,539
Health Department:				
Salaries	2,400	2,400	2,400	-
Miscellaneous	800	1,600	1,538	62
Total Health Department	3,200	4,000	3,938	62
Parks and Recreation:				
Salaries	8,000	7,000	7,640	(640)
Utilities	-	5,000	4,672	328
Other Recreation & Parks Expenditures	5,900	7,000	6,239	761
Supplies	3,600	-	-	-
Tournament Expense	-	108,000	103,009	4,991
Program Expense	58,700	74,000	72,294	1,706
Circle Drive Park Expense	6,000	5,000	5,112	(112)
Historic Post Office Improvements	5,000	1,000	691	309
Circle Drive Park Improvements	24,000	-	-	-
Capital Outlay	-	-	15,158	(15,158)
Total Parks and Recreation:	111,200	207,000	214,815	(7,815)
Total Expenditures	808,100	931,700	940,287	(8,587)
Excess Revenues (Expenditures)	(115,700)	(157,000)	(137,829)	19,171

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 1

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2002**

	<u>Budgeted Amounts</u>		<u>Actual Amounts: Budgetary Basis</u>	<u>Variance With Final Budget: Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Operating Transfers In	\$ 90,000	\$ 100,000	\$ 100,000	\$ -
Total Other Financing Sources (Uses)	<u>90,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Excess Revenues and Other Sources				
(Expenditures and Other Uses)	(25,700)	(57,000)	(37,829)	19,171
Fund Balance, Beginning	449,935	390,949	390,949	-
Prior Period Adjustment (Note 21)	-	-	27,497	27,497
Fund Balance, Ending	<u>\$ 424,235</u>	<u>\$ 333,949</u>	<u>\$ 380,617</u>	<u>\$ 46,668</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Other Supplemental Information

Town of Livingston, Louisiana

Schedule 2

**Comparative Schedule of Net Assets
Proprietary Fund Type
December 31, 2002 and 2001**

	Enterprise Fund	
	2002	2001
Assets		
Current Assets:		
Cash & Cash Equivalents	\$ 308,746	\$ 337,486
Accounts Receivable, Net	137,781	117,098
Accrued Interest	1,022	528
Prepaid Expenses	4,706	458
Total Current Assets	<u>452,255</u>	<u>455,570</u>
Restricted Cash and Cash Equivalents:		
Bond Reserve Fund	69,588	69,588
Bond Depreciation and Contingency Fund	79,382	79,382
Customer Deposits	98,451	91,101
Total Restricted Assets	<u>247,421</u>	<u>240,071</u>
Property, Plant, and Equipment		
Buildings	13,349	11,229
Water Utility System	2,485,499	2,255,399
Gas Utility System	423,021	397,815
Sewer Utility System	3,026,666	3,002,385
Machinery and Equipment	126,932	120,891
Accumulated Depreciation	(2,503,320)	(2,350,780)
Net Property, Plant, and Equipment	<u>3,572,147</u>	<u>3,436,939</u>
Total Assets	<u>4,271,823</u>	<u>4,132,580</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	47,937	31,419
Other Accrued Expenses	6,067	4,380
Revenue Bonds Payable	44,850	42,673
Capital Lease Payable	18,389	16,049
Due To General Fund	45,096	18,650
Total Current Liabilities (Payable From Current Assets)	<u>162,339</u>	<u>113,171</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits Payable	83,316	76,447
Total Current Liabilities (Payable From Restricted Assets)	<u>83,316</u>	<u>76,447</u>
Long-Term Liabilities:		
Revenue Bonds Payable	470,280	515,018
Capital Lease Payable	11,304	29,693
Total Long-Term Liabilities	<u>481,584</u>	<u>544,711</u>
Total Liabilities	<u>727,239</u>	<u>734,329</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 2

**Comparative Schedule of Net Assets
Proprietary Fund Type
December 31, 2002 and 2001**

	Enterprise Fund	
	2002	2001
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 3,027,323	\$ 2,833,506
Restricted for Debt Service	164,105	163,624
Unrestricted	353,156	401,121
Total Net Assets	<u>\$ 3,544,584</u>	<u>\$ 3,398,251</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 3

Comparative Schedule of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund Type
For the Years Ended December 31, 2002 and 2001

	<u>Enterprise Fund</u>	
	<u>2002</u>	<u>2001</u>
Operating Revenues		
Gas Sales	\$ 345,496	\$ 356,306
Less Cost of Gas Sold	(123,645)	(182,399)
Gross Profit on Gas Sales	221,851	173,907
Water Sales	337,372	332,743
Sewer Service Charges	114,118	96,575
Service Connection Charges	18,017	17,331
Delinquent Charges	23,910	21,832
Other Operating Revenues	507	10
Total Operating Revenues	<u>715,775</u>	<u>642,398</u>
Operating Expenses		
Bad Debt Expense	2,867	2,027
Contract Repairs	6,854	-
Depreciation	152,540	140,577
Employee Insurance	18,858	17,989
Employee Retirement	3,064	3,032
Equipment Expense	680	2,139
Insurance	8,825	9,940
Janitorial	3,043	2,844
Materials and Supplies	28,918	30,231
Office Expense	9,283	10,752
Other Operating Expenses	2,516	5,829
Payroll Taxes	9,505	9,607
Professional Services	17,178	16,804
Safe Drinking Water Fees	3,655	3,655
Salaries Maintenance	87,401	85,070
Salaries Office	40,005	41,345
Sewer Expense	24,037	21,609
Truck Expense	5,619	9,310
Uniform Rental	1,464	429
Utilities	29,014	26,512
Total Operating Expenses	<u>455,326</u>	<u>439,701</u>
Operating Income (Loss)	<u>260,449</u>	<u>202,697</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 3

**Comparative Schedule of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund Type
For the Years Ended December 31, 2002 and 2001**

	Enterprise Fund	
	2002	2001
Nonoperating Revenues (Expenses)		
Interest Revenue	\$ 13,320	\$ 25,410
Interest Expense	(29,042)	(31,876)
Total Nonoperating Revenues (Expenses)	<u>(15,722)</u>	<u>(6,466)</u>
Income (Loss) Before Contributions and Transfers	<u>244,727</u>	<u>196,231</u>
Contributions and Transfers		
Operating Transfers In	-	20,000
Operating Transfers Out	(100,000)	(20,000)
Capital Contributions	1,606	197,691
Total Contributions and Transfers	<u>(98,394)</u>	<u>197,691</u>
Change in Net Assets	146,333	393,922
Net Assets, Beginning	3,398,251	3,004,329
Net Assets, Ending	<u>\$ 3,544,584</u>	<u>\$ 3,398,251</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 4

**Comparative Schedule of Cash Flows
Proprietary Fund Type
For the Years Ended December 31, 2002 and 2001**

	<u>Enterprise Fund</u>	
	<u>2002</u>	<u>2001</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 815,363	\$ 851,100
Received for Meter Deposit Fees	6,869	6,940
Other Receipts	507	14,634
Payments for Interfund Services	26,445	(6,774)
Payments for Operations	(252,719)	(322,491)
Payments to Employees	(156,889)	(188,579)
Net Cash Provided (Used) by Operating Activities	<u>439,576</u>	<u>354,830</u>
Cash Flows From Noncapital Financing Activities		
Transfers to Other Funds	(100,000)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(100,000)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities		
Capital Contributions Received	1,606	197,691
Paid for Capital Acquisitions	(287,747)	(642,036)
Principal Repayments, Revenue Bonds Payable	(42,560)	(40,798)
Principal Repayments, Capital Lease Payable	(16,049)	(16,559)
Interest Payments - Revenue Bonds Payable	(27,028)	(28,789)
Interest Payments - Capital Lease Payable	(2,014)	(3,087)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(373,792)</u>	<u>(533,578)</u>
Cash Flows From Investing Activities		
Receipt of Interest	12,826	30,984
Net Cash Provided (Used) by Investing Activities	<u>12,826</u>	<u>30,984</u>
Net Increase (Decrease) in Cash	(21,390)	(147,764)
Cash, Beginning of Year	577,557	725,321
Cash, End of Year	\$ <u>556,167</u>	\$ <u>577,557</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 4

**Comparative Schedule of Cash Flows
Proprietary Fund Type
For the Years Ended December 31, 2002 and 2001**

	<u>Enterprise Fund</u>	
	<u>2002</u>	<u>2001</u>
Reconciliation of Net Operating Income (Loss) to Net Cash		
Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 260,449	\$ 202,697
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	152,540	140,577
Change in Accounts Receivable	(20,683)	42,851
Change in Prepaid Expenses	(4,248)	(3,111)
Change in Accounts Payable	16,518	(27,451)
Change in Accrued Expenses	1,686	(2,199)
Change in Due to Other Funds	26,445	(5,474)
Change in Customer Deposits	6,869	6,940
Net Cash Provided (Used) by Operating Activities	\$ <u>439,576</u>	\$ <u>354,830</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 5

**Combining Schedule of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund Type - Utility Funds
For the Year Ended December 31, 2002**

	<u>Water Utility System</u>	<u>Gas Utility System</u>	<u>Sewer Utility System</u>	<u>Total</u>
Operating Revenues				
Gas Sales	\$ -	\$ 345,496	\$ -	\$ 345,496
Less Cost of Gas Sold	-	(123,645)	-	(123,645)
Gross Profit on Gas Sales	-	221,851	-	221,851
Water Sales	337,372	-	-	337,372
Sewer Service Charges	-	-	114,118	114,118
Service Connection Charges	16,232	1,185	600	18,017
Delinquent Charges	9,564	7,173	7,173	23,910
Other Operating Revenues	268	239	-	507
Total Operating Revenues	<u>363,436</u>	<u>230,448</u>	<u>121,891</u>	<u>715,775</u>
Operating Expenses				
Bad Debt Expense	1,147	860	860	2,867
Contract Repairs	3,662	-	3,192	6,854
Depreciation	62,657	10,086	79,797	152,540
Employee Insurance	7,542	5,658	5,658	18,858
Employee Retirement	1,226	919	919	3,064
Equipment Expense	272	204	204	680
Insurance	3,531	2,647	2,647	8,825
Janitorial	1,217	913	913	3,043
Materials and Supplies	17,276	3,270	8,372	28,918
Office Expense	3,713	2,785	2,785	9,283
Other Operating Expenses	1,094	711	711	2,516
Payroll Taxes	3,949	2,778	2,778	9,505
Professional Services	7,329	7,412	2,437	17,178
Safe Drinking Water Fees	3,655	-	-	3,655
Salaries Maintenance	34,961	26,220	26,220	87,401
Salaries Office	16,001	12,002	12,002	40,005
Sewer Expense	-	-	24,037	24,037
Truck Expense	2,247	1,686	1,686	5,619
Uniform Rental	586	439	439	1,464
Utilities	14,359	-	14,655	29,014
Total Operating Expenses	<u>186,424</u>	<u>78,590</u>	<u>190,312</u>	<u>455,326</u>
Operating Income (Loss)	<u>177,012</u>	<u>151,858</u>	<u>(68,421)</u>	<u>260,449</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 5

**Combining Schedule of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund Type - Utility Funds
For the Year Ended December 31, 2002**

	<u>Water Utility System</u>	<u>Gas Utility System</u>	<u>Sewer Utility System</u>	<u>Total</u>
Nonoperating Revenues (Expenses)				
Interest Revenue	\$ 5,328	\$ 3,996	\$ 3,996	\$ 13,320
Interest Expense	(7,870)	(20,256)	(916)	(29,042)
Total Nonoperating Revenues (Expenses)	<u>(2,542)</u>	<u>(16,260)</u>	<u>3,080</u>	<u>(15,722)</u>
 Income (Loss) Before Contributions and Transfers	 <u>174,470</u>	 <u>135,598</u>	 <u>(65,341)</u>	 <u>244,727</u>
 Contributions and Transfers				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(50,000)	(50,000)	-	(100,000)
Capital Contributions	1,606	-	-	1,606
Total Contributions and Transfers	<u>(48,394)</u>	<u>(50,000)</u>	<u>-</u>	<u>(98,394)</u>
 Change in Net Assets	 <u>\$ 126,076</u>	 <u>\$ 85,598</u>	 <u>\$ (65,341)</u>	 146,333
Net Assets, Beginning				3,398,251
Net Assets, Ending				\$ <u>3,544,584</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 6

**Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Proprietary Fund Type - Water Utility System
For the Year Ended December 31, 2002**

	<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Operating Revenues			
Water Sales	\$ 340,000	\$ 337,372	\$ (2,628)
Service Connection Charges	17,000	16,232	(768)
Delinquent Charges	9,200	9,564	364
Other Operating Income	100	268	168
Total Operating Revenues	<u>366,300</u>	<u>363,436</u>	<u>(2,864)</u>
Operating Expenses			
Bad Debt Expense	1,200	1,147	53
Contract Repairs	3,000	3,662	(662)
Depreciation	65,200	62,657	2,543
Employee Insurance	7,400	7,542	(142)
Employee Retirement	1,240	1,226	14
Equipment Expense	400	272	128
Insurance	4,120	3,531	589
Janitorial	1,160	1,217	(57)
Materials and Supplies	12,000	17,276	(5,276)
Office Expense	4,000	3,713	287
Other Operating Expenses	1,120	1,094	26
Payroll Taxes	4,200	3,949	251
Professional Services	8,360	7,329	1,031
Safe Drinking Water Fees	3,800	3,655	145
Salaries Maintenance	35,040	34,961	79
Salaries Office	15,500	16,001	(501)
Truck Expense	2,480	2,247	233
Uniform Rental	360	586	(226)
Utilities	13,600	14,359	(759)
Total Operating Expenses	<u>184,180</u>	<u>186,424</u>	<u>(2,244)</u>
Operating Income (Loss)	<u>182,120</u>	<u>177,012</u>	<u>(5,108)</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 6

**Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Proprietary Fund Type - Water Utility System
For the Year Ended December 31, 2002**

	<u>Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
Nonoperating Revenues (Expenses)			
Interest Revenue	\$ 5,600	\$ 5,328	\$ (272)
Interest Expense	(9,000)	(7,870)	1,130
Total Nonoperating Revenues (Expenses)	<u>(3,400)</u>	<u>(2,542)</u>	<u>858</u>
Income (Loss) Before Contributions and Transfers	<u>178,720</u>	<u>174,470</u>	<u>(4,250)</u>
Contributions and Transfers			
Operating Transfers In	-	-	-
Operating Transfers Out	(50,000)	(50,000)	-
Capital Contributions	-	1,606	1,606
Total Contributions and Transfers	<u>(50,000)</u>	<u>(48,394)</u>	<u>1,606</u>
Change in Net Assets	\$ <u>128,720</u>	\$ <u>126,076</u>	\$ <u>(2,644)</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 7

**Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Proprietary Fund Type - Gas Utility System
For the Year Ended December 31, 2002**

	<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Operating Revenues			
Gas Sales	\$ 322,200	\$ 345,496	\$ 23,296
Less Cost of Gas Sold	(135,000)	(123,645)	11,355
Gross Profit on Gas Sales	<u>187,200</u>	<u>221,851</u>	<u>34,651</u>
Service Connection Charges	1,000	1,185	185
Delinquent Charges	6,900	7,173	273
Other Operating Income	-	239	239
Total Operating Revenues	<u>195,100</u>	<u>230,448</u>	<u>35,348</u>
Operating Expenses			
Bad Debt Expense	900	860	40
Depreciation	9,900	10,086	(186)
Employee Insurance	5,550	5,658	(108)
Employee Retirement	930	919	11
Equipment Expense	300	204	96
Insurance	3,090	2,647	443
Janitorial	870	913	(43)
Materials and Supplies	6,000	3,270	2,730
Office Expense	3,000	2,785	215
Other Operating Expenses	840	711	129
Payroll Taxes	3,000	2,778	222
Professional Services	6,270	7,412	(1,142)
Salaries Maintenance	26,280	26,220	60
Salaries Office	12,000	12,002	(2)
Truck Expense	1,860	1,686	174
Uniform Rental	270	439	(169)
Total Operating Expenses	<u>81,060</u>	<u>78,590</u>	<u>2,470</u>
Operating Income (Loss)	<u>114,040</u>	<u>151,858</u>	<u>37,818</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 7

**Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Proprietary Fund Type - Gas Utility System
For the Year Ended December 31, 2002**

	<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Nonoperating Revenues (Expenses)			
Interest Revenue	\$ 4,200	\$ 3,996	\$ (204)
Interest Expense	(22,000)	(20,256)	1,744
Total Nonoperating Revenues (Expenses)	<u>(17,800)</u>	<u>(16,260)</u>	<u>1,540</u>
Income (Loss) Before Contributions and Transfers	<u>96,240</u>	<u>135,598</u>	<u>39,358</u>
Contributions and Transfers			
Operating Transfers In	-	-	-
Operating Transfers Out	(50,000)	(50,000)	-
Capital Contributions	-	-	-
Total Contributions and Transfers	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Change in Net Assets	<u>\$ 46,240</u>	<u>\$ 85,598</u>	<u>\$ 39,358</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 8

**Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Proprietary Fund Type - Sewer Utility System
For the Year Ended December 31, 2002**

	<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Operating Revenues			
Sewer Service Charges	\$ 114,000	\$ 114,118	\$ 118
Service Connection Charges	600	600	-
Delinquent Charges	6,900	7,173	273
Total Operating Revenues	<u>121,500</u>	<u>121,891</u>	<u>391</u>
Operating Expenses			
Bad Debt Expense	900	860	40
Contract Repairs	2,500	3,192	(692)
Depreciation	79,900	79,797	103
Employee Insurance	5,550	5,658	(108)
Employee Retirement	930	919	11
Equipment Expense	300	204	96
Insurance	3,090	2,647	443
Janitorial	870	913	(43)
Materials and Supplies	3,500	8,372	(4,872)
Office Expense	3,000	2,785	215
Other Operating Expenses	840	711	129
Payroll Taxes	3,000	2,778	222
Professional Services	6,270	2,437	3,833
Salaries Maintenance	26,280	26,220	60
Salaries Office	12,000	12,002	(2)
Sewer Expense	27,580	24,037	3,543
Truck Expense	1,860	1,686	174
Uniform Rental	270	439	(169)
Utilities	15,000	14,655	345
Total Operating Expenses	<u>193,640</u>	<u>190,312</u>	<u>3,328</u>
Operating Income (Loss)	<u>(72,140)</u>	<u>(68,421)</u>	<u>3,719</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 8

**Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Proprietary Fund Type - Sewer Utility System
For the Year Ended December 31, 2002**

	<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Nonoperating Revenues (Expenses)			
Interest Revenue	\$ 4,200	\$ 3,996	\$ (204)
Interest Expense	(1,000)	(916)	84
Total Nonoperating Revenues (Expenses)	<u>3,200</u>	<u>3,080</u>	<u>(120)</u>
 Income (Loss) Before Contributions and Transfers	 <u>(68,940)</u>	 <u>(65,341)</u>	 <u>3,599</u>
 Contributions and Transfers			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Capital Contributions	-	-	-
Total Contributions and Transfers	<u>-</u>	<u>-</u>	<u>-</u>
 Change in Net Assets	 <u>\$ (68,940)</u>	 <u>\$ (65,341)</u>	 <u>\$ 3,599</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 9

**Comparative Schedule of Gas Sales and Purchases
Proprietary Fund Type
For the Years Ended December 31, 2002 and 2001**

	<u>2002</u>	<u>2001</u>
Gas Sales and Purchases (Dollars)		
Gas Sales	\$ 345,496	\$ 356,306
Gas Purchases	(123,645)	(182,399)
Gross Profit	<u>\$ 221,851</u>	<u>\$ 173,907</u>
 Gross Profit Percentage of Sales	 64.2%	 48.8%

Gas Unaccounted For (Thousands of Cubic Feet)		
Gas Sales	27,088	23,835
Gas Purchases	26,386	23,601
Gas Unaccounted For	<u>(702)</u>	<u>(234)</u>
 Cost of Gas Unaccounted For (Gain) or Loss	 \$ (3,292)	 \$ (1,809)

Number of Customers		
In Service - Residential Customers	408	390
In Service - Commercial Customers	50	50
In Service - Industrial Customers	-	-
Total Number of Customers	<u>458</u>	<u>440</u>

**Gas Sales and Purchases Per Service Category at 12/31/02
(Per Thousand Cubic Feet)**

	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>
Gas Sales	\$ 11.35	\$ 15.79	\$ -
Gas Purchases (Average Cost)	(4.69)	(4.69)	-
Gross Profit	<u>\$ 6.66</u>	<u>\$ 11.10</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 10

**Utility Rate Schedule
Proprietary Fund Type
December 31, 2002**

				Residential		Commercial	
Gas Rates				<u>In Town</u>	<u>Out of Town</u>	<u>In Town</u>	<u>Out of Town</u>
1	-	500	Cubic Feet (Flat Fee)	8.17	10.57	10.57	10.57
501	-	4000	Cubic Feet (Per 1000)	7.73	10.13	10.13	10.13
4001	-	12000	Cubic Feet (Per 1000)	7.58	9.98	9.98	9.98
12001	-	Over	Cubic Feet (Per 1000)	7.46	9.86	9.86	9.86
				Residential		In Town or Out of Town	
Sewer Rates				<u>In Town</u>	<u>Out of Town</u>	<u>Commercial</u>	<u>Industrial</u>
Flat Rate				11.50	14.00	-	-
1	-	8500	Gallons Water (Flat Fee)	-	-	11.50	-
8501	-	Over	Gallons Water (Per 1000)	-	-	0.50	-
1	-	12500	Gallons Water (Flat Fee)	-	-	-	60.00
12501	-	Over	Gallons Water (Per 1000)	-	-	-	0.80
				Residential & Commercial		Industrial	
Water Rates				<u>In Town</u>	<u>Out of Town</u>	<u>In Town</u>	<u>Out of Town</u>
1	-	3000	Gallons (Flat Fee)	8.75	-	-	-
3001	-	6000	Gallons (Per 1000)	1.30	-	-	-
6001	-	11000	Gallons (Per 1000)	1.25	-	-	-
11001	-	21000	Gallons (Per 1000)	0.75	-	-	-
21001	-	Over	Gallons (Per 1000)	0.75	-	-	-
1	-	2000	Gallons (Flat Fee)	-	12.75	-	-
2001	-	10000	Gallons (Per 1000)	-	1.45	-	-
10001	-	Over	Gallons (Per 1000)	-	1.25	-	-
1	-	50000	Gallons (Flat Fee)	-	-	75.00	80.00
50001	-	75000	Gallons (Per 1000)	-	-	1.20	1.30
75001	-	Over	Gallons (Per 1000)	-	-	1.00	1.10

Town of Livingston, Louisiana

Schedule 11

**Schedule of Utility Customers
Proprietary Fund Type
December 31, 2002**

	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
Gas Customers	408	50	-	458
Sewer Customers	690	90	1	781
Water Customers	1,507	126	1	1,634

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 12

**Schedule of Insurance
Year Ended December 31, 2002**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
EMC Property & Casualty Policy Number 2A4102203	Commercial Property: Town Hall Building Business Property Fire Station Maintenance Shop	\$ 113,360 49,500 68,640 27,040	12/10/02 - 12/10/03
EMC Insurance Company Policy Number T216744	Public Employee Fidelity Bond	\$ 25,000	01/23/02 - 01/23/03
EMC Insurance Company Policy Number S089816	Rural Utility Service Fidelity Bond: Mayor Clerk	\$ 150,000 150,000	09/22/02 - 09/22/03
Audubon Indemnity Company Policy Number APD822411	Commercial Auto: Physical Damage	\$ 424,878	05/25/02 - 05/25/03
EMC Insurance Company Policy Number 1X2091503	Commercial Property: Industrial Building Rental Income	\$ 300,000 15,000	12/10/02 - 12/10/03
Risk Management, Inc. Policy Number WC0104	Workers' Compensation	\$ Statutory Limits	01/01/02 - 01/01/03
Risk Management, Inc. Policy Number LML195	Automobile Liability: Owned Hired Non-Owned General Liability: Premises/Operations Completed Operations Medical Payments Fire Legal Liability Police Professional Liability Errors & Omissions Liability	\$ 500,000 Combined Single Limit	05/23/02 - 05/23/03
Western Surety Company Policy Number 13572465N	Notary Bond	\$ 5,000	07/26/00 - 07/26/05
National Casualty Company Policy Number 4094968890	Sports Accident Insurance: Summer Baseball Program: Death & Specific Loss Medical Expense	\$ 25,000 100,000	04/10/02 - 10/10/02
Audobon Insurance Company Policy Number 1MC301104	Commercial Inland Marine: Scheduled Equipment Coverage	\$ 47,577	06/13/02 - 06/13/03

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 13

**Schedule of Per Diem Payments
Year Ended December 31, 2002**

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature:

	<u>Compensation Received</u>
Derral Jones, Mayor 20177 Circle drive Livingston, LA 70754 (225) 686-7619	\$ 19,877
Brent Bencaz, Alderman Post Office Box 577 Livingston, LA 70754 (225) 686-0317	2,175
Gregory Bencaz, Alderman Post Office Box 16 Livingston, LA 70754 (225) 686-2272	2,025
Julia Higginbotham, Alderwoman 19930 Georgia Street Livingston, LA 70754 (225) 686-2305	2,175
Randy Morgan, Alderman Post Office Box 182 Livingston, LA 70754 (225) 686-7149	2,100
Joey Sibley, Alderman Post Office Box 643 Livingston, LA 70754 (225) 686-7533	2,100
	\$ <u>30,452</u>

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 14

**Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2002**

Section I - Internal Control and Compliance Material to the Financial Statements

Reference Number: 2001-C1

Fiscal Year Initially Occurred: Fiscal year ended December 31, 2001

Description of Finding: The Town of Livingston, Louisiana did not segment expenditures of the utility fund in accordance with GASB 34 and GASB 20 requirements. Although revenues and depreciation expense are properly segregated, some expenses benefitting all utility services need to be allocated to gas, water, and sewer departments.

Corrective Action Taken: Final.

Section II - Internal Control and Compliance Material to Federal Awards

No section II findings.

Section III - Management Letter

No section III findings.

The accompanying notes are an integral part of these statements.

Town of Livingston, Louisiana

Schedule 15

**Corrective Action Plan for Current Year Audit Findings
Year Ended December 31, 2002**

Section I - Internal Control and Compliance Material to the Financial Statements

No section I findings.

Section II - Internal Control and Compliance Material to Federal Awards

No section II findings.

Section III - Management Letter

No section III findings.

The accompanying notes are an integral part of these statements.

Bruce C. Harrell, CPA

Warren A. Wool, CPA
Michael P. Estay, CPA
Dale H. Jones, CPA
Charles P. Hebert, CPA
James D. Rabalais, CPA

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL STRUCTURE OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor Derral Jones
and Members of the Board of Aldermen
Town of Livingston, Louisiana

We have audited the basic financial statements of the Town of Livingston, Louisiana, as of and for the year ended December 31, 2002, and have issued our report thereon dated June 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Livingston, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Livingston, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

The Honorable Mayor Derral Jones
and Members of the Board of Aldermen
Town of Livingston, Louisiana

Page 2

This report is intended for the information of the management of the Town of Livingston, Louisiana, the Legislative Auditor, and the cognizant Federal Agency. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Bruce Harrell & Co." followed by a period.

Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

June 20, 2003